

ATTACHMENT B – SPECIFICATIONS
RFx 3000021077 – TOBACCO TAX STAMPS FOR LDR (DOR03)

MACHINE-APPLIED, HAND-APPLIED
CIGARETTE STAMPS AND DIRECT SHIPMENT

Printing Specifications are as follows:

Machine-Applied Twenty-Five (25) Cigarette Stamps

Type and Application:

These stamps must be Fuson stamps or equal, consisting of five (5) impressions or layers, including safety-tint lettering, and must be suitable for positive application with heat to the receiving surface such as cellophane, polypropylene, etc.

Size, Design, and Colors:

Each stamp is to be of irregular shape outlined and shall contain not less than three (3) different distinctive colors. Half tones, ben-day effects, shades, tints, or tones of a color will not be acceptable or considered as separate and distinctive colors. The safety-tint lettering shall not be considered as one (1) of the stamp colors. Red should not be used as the predominant color.

Stamps for machine and hand application shall measure approximately one half inch by one half inch ($\frac{1}{2}$ " x $\frac{1}{2}$ "). Contractor shall provide suggested design examples in the bid response.

The colors and design are to be approved by the Louisiana Department of Revenue (LDR) prior to production of stamps. The safety-tint letters for machine and hand applied stamps must be so printed as to appear on the face of the stamp and also must appear on the paper between the stamps. The safety-tint shall transfer with the machine and hand applied stamps, and the lettering extending beyond the edges of the stamp must also transfer with the stamp.

LDR reserves the right to revise the stamp design once annually at no charge to LDR. Examples of situations which would require a revision are upon verification of a counterfeit issue or a tax rate increase.

Paper:

Stamps shall be made on unique, safety-tinted, mill-controlled, colored paper furnished by the Contractor. The name of the manufacturer of the paper stock is to be furnished with the bid, and Contractor must render an accurate accounting of all paper used in the production of machine and hand applied-stamps, including spoilage, and verify such accounting record by affidavit to the State.

All stamps and paper must contain proven protective features to guard against illegal reproduction. This will include security features that permit laboratory identification of inks. Each stamp must contain a variable image security feature. The image "LA" should appear and disappear in a hologram fashion when viewed from different angles.

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All paper must be processed with a special safety-tint reading and must be so arranged and printed that it cannot be photographed on the colored paper and shall become fluorescent when exposed to the rays of ultraviolet light. This fluorescence shall be a permanent effect whenever tests are made and shall not be fugitive. The safety tint lettering must be printed with visibility on the face of the stamp, and on voids between stamps. Safety tint must transfer with the stamps, including any letter which extends beyond the stamp edge.

Samples:

The Contractor shall provide non-negotiable stamp samples in accordance with all printing specifications. Additionally, Contractor must provide current contract name and volumes produced for each stamp sample.

Serial Numbering:

After primary printing, stamps will be commonly overprinted with each roll with a legible code consisting of not less than five (5) alpha-numeric characters. The same alphanumeric code will not be repeated for any one (1) roll during the life of the contract. LDR reserves the right to provide the first five (5) alpha-numeric characters the Contractor is to start with. This identification code will also appear on the roll and mailer box. Rolls shall be coded in sequential order and shipped in sequential order. Spoiled rolls shall be identified as “not in circulation.” The beginning and ending roll number shall be clearly indicated on the outside of the box. For example: “Roll #1 – Roll #49.” A certified listing of all rolls “not in circulation” shall be provided to the State.

Stamp applying machines:

Contractor must warrant that, during such period as the State of Louisiana shall utilize Contractor’s stamps, stamps will be designed and manufactured so as to assure proper adhesion and high-speed application of stamps utilizing stamp applying machines manufactured by United Silicone and R.E.D. Stamp. Further, Contractor must warrant that stamps will NOT require modifications or customizations to stamping machines which fall outside of the manufacturers recommended settings.

Printing Facility Security:

All stamps must be printed in a high-security plant, and the Contractor must adhere to the following plant site security measures:

- A. A log must be kept on all visitors entering the plant and especially the secured areas.
- B. All plant exits must be monitored by a centralized alarm system.
- C. A television surveillance system must be located within the production, storage, exits, and warehouse areas.

Protection:

All stamps and paper must contain proven protective features to guarantee against illegal reproduction. Contractor is requested to submit a separate confidential detailed statement fully explaining his system for the protection of the State against unlawful reproduction and the method by which such reproduction can be detected by inspectors of the State.

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Production Control:

Bidder is to submit a full explanation of the precautions, which the manufacturer proposes to observe within his plant and organization to protect the State against unlawful reproduction of stamps. -Bidder must designate the means by which he proposes to guard against the loss of stamps both during the process of manufacture as well as during storage.

A secure depository approved by the State shall be installed or designated by the manufacturer for the storage of photographs, films, stones, zincs, plates, cylinders, drawings, stamps, etc., when not in use or, in the case of stamps, while awaiting shipment.

All work under the contract, including all coating on paper for Fuson stamps, must be performed wholly within the premises of the Contractor. No part of the contract may be sublet or performed in any other establishment.

No assignment of the contract in whole or in part may be made without the consent of the State. Contractor shall, if required, furnish evidence satisfactory to the State that they possess the facilities, tools, machinery, equipment, and resources necessary to carry out the terms of the contract efficiently and promptly.

Accounting:

Full and accurate account must be made to the State for all spoiled papers, stamps, etc. Plates, designs, patterns, films, negatives, cylinders, and the like will be used solely for this order and subsequent orders, if any. Any such plates, designs, patterns, films, etc., when not in use for the manufacture of these stamps, must be locked in a safe or vault. At the completion of the order, or at the termination of the contract, or at any time if the State so desires, all such plates, designs, films, etc., will be destroyed and disposed of as directed by the State at the Contractor's expense.

Complete and accurate accounting of each and every stamp and all special paper and any other material used in the production of these stamps must be given to authorized representatives of the State upon demand at any time.

Inspection of the plant and all records and books of account will be allowed by the Contractor at any time upon demand of authorized representatives of the State. At all times the Contractor will supervise closely the production of these stamps and will not permit employees or any others to enter or leave the building or that part of the building where stamps are being produced until first assured that all materials in their production are properly accounted for. Every precaution will be taken to make certain that these stamps are not counterfeited or produced anywhere for any other purpose than the use by the State.

Contractor is to submit a full explanation of the amount of on hand production and how Contractor intends to handle the destruction of stamps in the event of a stamp change and the cost of destruction.

Packing:

Stamps for mechanical applications are to be furnished in rolls of four thousand (4,000) stamps. For accounting purposes, each roll is to contain ascending numbers at regularly specified intervals on one (1) side and descending numbers at regularly specified intervals on the other side. Contractor

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is requested to submit the numbering system to be used.

Contractor must also submit the procedure to be used in notifying tobacco distributors and the Department of Revenue (LDR) as to the proper usage of such numbering system.

Each roll of stamps shall contain serial numbers for the purpose of identification. The first roll will start with the number one (1) and run consecutively thereafter. Each roll of four thousand (4,000) stamps shall be packed in a serially numbered cardboard box (identical to the roll number). The box is to be securely sealed and labeled showing quantity and denomination.

Machine-Applied Twenty (20) Cigarette Stamps

Specifications are the same as Machine Applied Twenty-Five (25) Cigarette Stamps except for the following:

Packing:

Stamps for mechanical applications are to be furnished in rolls of thirty thousand (30,000) stamps. For accounting purposes, each roll is to contain ascending numbers at regularly specified intervals on one (1) side and descending numbers at regularly specified intervals on the other side. Contractor is requested to submit, and explain in detail, the numbering system to be used.

Contractor must also submit the procedure to be used in notifying tobacco distributors and the Department of Revenue (LDR) as to the proper usage of such numbering system.

Each roll of stamps shall contain serial numbers for the purpose of identification. The first roll will start with the number one (1) and run consecutively thereafter. Each roll of thirty thousand (30,000) stamps shall be packed in a serially numbered cardboard box (identical to the roll number). The box is to be securely sealed and labeled showing quantity and denomination.

Hand-Applied Twenty (20) Cigarette Stamps

Specifications are the same as Machine Applied Twenty-Five (25) Cigarette Stamps except for the following:

Serial Numbering:

After primary printing, stamps will be commonly overprinted within each sheet with a legible code consisting of not less than five (5) alphanumeric characters. The same alphanumeric code will not be repeated for any one (1) stamp during the life of the contract. This identification code will also appear on the box. Sheets shall be coded in sequential order and shipped in sequential order. Spoiled sheets shall be identified as “not in circulation.” The beginning and ending sheet number shall be clearly indicated on the outside of the box. A certified list of all sheets “not in circulation” shall be provided to the State.

Sheet Layout and Packing:

Stamps for twenty (20) cigarette packs are to be furnished in sheets measuring seven and one half inches by twelve inches (7 ½” x 12”). Each sheet will contain one hundred fifty (150) stamps, with

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fifteen (15) stamps per horizontal row and ten (10) rows per sheet.

Stamp Applying Equipment:

Contractor must warrant that, during such period as the State of Louisiana shall utilize Contractor's stamps, he will make available the name of authorized distributor that will be able to supply equipment designed to assure proper adhesion of Contractor's stamps. The hand-stamping devices shall be of proven design and construction and capable of giving reliable and reasonably trouble-free service.

Direct Shipment Specifications are as follows:

In addition to printing the tobacco stamps, Contractor will also need to provide fulfillment and shipping services of approved orders to wholesalers.

Contractor shall provide current reference contracts upon request, utilizing Direct Shipment Services. Each reference must contain the following:

- Size, Scope, Complexity
- Contact Information
- Description of Services provided

Transmission of Approved Orders

An interface must be built to receive orders from wholesale dealer directly to the manufacturer. LDR will be set up in the order system and will place emergency orders in same method which is utilized to fill the wholesale dealer orders.

Contractor must receive order information through a secure portal. Contractor must also provide a detailed description of their policies and/or security measures that are in place to prevent erroneous shipment and theft of stamps.

Manufacturer must provide an interface with LDR to receive the following information in order to process order:

1. Account number of dealers approved to order stamps.
2. If wholesale dealer is in good standing and approved to order at current time
3. Number of stamps approved to ship
4. Approved address manufacturer is allowed to ship stamps.

Once the order has been validated and approved, the Contractor will provide ordering information to LDR via secured portal. The transmission of valid order information will occur via a daily batch process between LDR and the Contractor's system(s). The transfer of information will be in an agreed upon format and will be facilitated through a secured transmission process.

LDR will provide the following information:

- Account Number
- Number of stamps/rolls
- Type of stamps (tax class)

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- Order Number
- Shipping Information (e.g., Name, Address, Contact Details)
- Shipment method (If applicable for next day orders)
- FedEx, UPS, or other shipper account information (for direct billing of expedited shipping if selected)

Should LDR see an order that it wishes to withdraw prior to the order being shipped, the Contractor must have processes in place to work with these types of exceptions.

Shipping Addresses

Contractors must be able to ship orders anywhere within the United States.

Shipping Cost

Orders requesting next day delivery will be billed to the wholesaler's FedEx, UPS, or other courier service account. All other orders will be processed as two (2) day delivery. All other tobacco stamp shipping costs will be the responsibility of the Contractor and included in the cost of the Direct-to-Distributor shipping.

Processing Orders

Upon receiving approved orders, the Contractor's personnel will provide fulfillment services to pick, pack, and ship tobacco stamps to the appropriate wholesaler. Orders should be shipped if submitted within the following timeframe:

- Orders transmitted to the Contractor by 9:00 AM Central Standard Time will be processed and shipped the same business day.
- Orders transmitted to the Contractor AFTER 9:00 AM Central Standard Time will be shipped the next business day.

All shipments must be insured against loss to provide wholesaler and LDR assurance of delivery. Should a shipment not reach its intended destination or is damaged, the Contractor will notify LDR of the associated stamp rolls to be taken out of authorized circulation and re-ship new inventory at no additional stamp cost to the wholesaler.

The Contractor shall provide for approval its policies and procedures for tracking of stamps in transit as well as policies and procedures for the recovery of lost products.

Customer Service

The Contractor shall provide customer service personnel to answer questions and inquiries from LDR and wholesalers during LDR's normal office hours.

Stamp Inventory Management

Contractor will maintain an inventory of Louisiana tax stamps at its secure facility. Typically, a two (2) to three (3) month inventory of stamps should be retained for fulfillment. Contractor will fulfill LDR approved orders out of that inventory and maintain records of all Louisiana stamp production and

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fulfillment, which will be made available for review and audit by the State.

LDR will maintain an emergency supply of stamp inventory at headquarters. This inventory will need to be shipped to:

Louisiana Department of Revenue
Taxpayer Compliance – SSEW/Excise Tax
617 North Third Street
Baton Rouge, LA 70802

Security Measures

Contractor must provide detail description of their policies and/or security measures that are in place to prevent erroneous shipments and theft.

Transfer of Shipping Information

Once Contractor transfers stamps to shipping company, information on that order will be sent from the Contractor's system to LDR's system via a batch transfer process. The transfer of information will be in an agreed upon format and will be facilitated through a secured transmission process. The information will then upload so order fulfillment information will be available to LDR and the tobacco wholesalers. The information returned should include:

- Order Status
- Order Number/ID
- Account Number
- Product Type
- Stamp Roll IDs
- Date Shipment was sent to wholesaler
- Shipment method including tracking numbers

Contractor should have reporting flexibility which allows for changes to the system data needed to fulfill LDR systems.

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Estimated Usage (5 years)

<u>E.1. Tobacco Tax Stamps</u>	<u>Estimated 5-Year Total Quantity</u>
<u>Machine-Applied twenty-five (25) - Pack Cigarette Stamps:</u>	250
<u>Machine-Applied twenty (20) -Pack Cigarette Stamps:</u>	52,500
<u>Hand-Applied twenty (20) -Pack Cigarette Stamps:</u>	8,000
<u>Direct-to-Distributor Shipping:</u>	1,577,200